

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name LONDON TOWNSHIP	County MONROE
Fiscal Year End 03/31/06	Opinion Date 06/30/06	Date Audit Report Submitted to State 9/12/2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

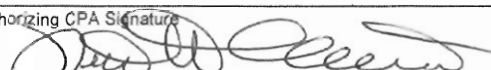
YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) COOLEY HEHL WOHLGAMUTH & CARLTON, PLLC		Telephone Number 734-241-7200	
Street Address ONE SOUTH MONROE STREET		City MONROE	State MI
		Zip 48161	
Authorizing CPA Signature 		Printed Name PETER H. CARLTON	License Number 1101009575

**LONDON TOWNSHIP**  
Monroe County, Michigan

**ANNUAL FINANCIAL REPORT**

March 31, 2006

# LONDON TOWNSHIP

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## LONDON TOWNSHIP

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Independent Auditor's Report

Township Board  
London Township  
Monroe County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of London Township, Monroe County, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of London Township, Monroe County, Michigan management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of London Township, Monroe County, Michigan as of March 31, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2 through 8 and 29 through 31, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise London Township, Monroe County, Michigan basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

June 30, 2006

## LONDON TOWNSHIP

### *Management's Discussion and Analysis Year Ended March 31, 2006*

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This section of the London Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended March 31, 2006. Please read it in conjunction with the Township's financial statements, which immediately follow this section. This summary should not be taken as a replacement for the audit which consists of the financial statements and other supplemental information that presents all the Township's revenues and expenditures by program for the General Fund, Special Revenue Funds, Debt Service Funds, and the Permanent Fund.

The Governmental Accounting Standards Board (GASB) adopted this report in *Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued June, 2000. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

#### **Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand London Township financially as a whole. The ***Government-Wide Financial Statements***, which include the statement of Net Assets and the Statement of Activities, provide information about the activities of the Township as a whole and presents both a short-term and a long-term view of those finances. The ***Fund Financial Statements*** provide the next level of detail. For governmental activities, these statements explain how services were financed in the short-term as well as what remains for future spending. The ***Fund Financial Statements*** report the Township's operations in more detail than the ***Government-Wide Financial Statements*** by providing information about the Township's most significant funds – the General Fund, the Sewer Special Revenue Fund, and the Water Debt Fund. All other funds are presented in one column as nonmajor funds. The remaining statement, the Statement of Fiduciary Net Assets, presents financial information about activities for which the Township acts solely as an agent for the benefit of the public. The following summary illustrates how the various parts of this annual report are arranged:

*Management's Discussion and Analysis (MD&A)  
(Required Supplemental Information)*

#### Basic Financial Statements

*Government-Wide Financial Statements      Fund Financial Statements*

*Notes to the Basic Financial Statements*

*Budgetary Information for Major Funds  
(Required Supplemental Information)*

*Other Supplemental Information*

## LONDON TOWNSHIP

### *Management's Discussion and Analysis* *Year Ended March 31, 2006*

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#### **Government-Wide Financial Statements**

The Statement of Net Assets and the Statement of Activities (pages 9-10), which appear first in the Township's financial statements, report information on the Township as a whole and its activities. These statements include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Township's net assets and changes in them. The change in net assets provides the reader a tool to assist in determining whether the Township's financial health is improving or deteriorating. The relationship between revenues and expenses indicates the Township's operating results. However, the Township's goal is to provide services to our residents, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the services provided and the safety of the public to assess the overall health of the Township.

The Statement of Net Assets and Statement of Activities report the governmental activities for the Township, which encompass all of the Township's services, including general government services, public safety, public works, and culture and recreation. Property taxes, state grants, charges for services, and capital contributions finance most of these activities.

#### **Fund Financial Statements**

The Township's Fund Financial Statements (pages 11-17) provide detailed information about the most significant or "major" funds – not the Township as a whole. Some funds are required to be established by State law and by bond covenants. However, the Township establishes other funds to control and manage money for particular purposes or to show that it is properly using revenues. The Township's two types of funds, governmental and fiduciary, use different accounting approaches as described below:

**Governmental funds** – All of the Township's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using the modified accrual accounting method, which measures cash and all other financial assets that can be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the Township and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation format in the financial section on pages 13 and 16.

**Fiduciary funds** – An Agency Fund is used to account for assets held by the Township as an agent for the collection and disbursement of property taxes.

## LONDON TOWNSHIP

### *Management's Discussion and Analysis* *Year Ended March 31, 2006*

#### Government-Wide Financial Analysis

Recall that the Statement of Net Assets provides the perspective of the Township as a whole. Table 1 provides a summary of the Township's net assets as of March 31, 2006 and 2005:

**Table 1:**

#### Condensed Statement of Net Assets March 31, 2006 and 2005

	Governmental Activities	
	2006	2005
Current and other assets	\$ 875,172	\$ 990,977
Investment in joint ventures	624,962	607,539
Capital assets, net	<u>671,872</u>	<u>699,571</u>
<b>Total Assets</b>	<b><u>2,172,006</u></b>	<b><u>2,298,087</u></b>
Current and other liabilities	21,698	261,735
Long-term liabilities	<u>348,682</u>	<u>391,224</u>
<b>Total Liabilities</b>	<b><u>370,380</u></b>	<b><u>652,959</u></b>
Net Assets		
Invested in capital assets, net of related debt	857,495	832,561
Restricted	492,203	301,096
Unrestricted	<u>451,928</u>	<u>511,471</u>
<b>Total Net Assets</b>	<b><u>\$1,801,626</u></b>	<b><u>\$1,645,128</u></b>

As depicted in Table 1, the Township's net assets were \$1.8 million at March 31, 2006. Of this amount, a positive \$451,928 was unrestricted. This amount represents the *accumulated* results of all past years' operations. The unrestricted net asset balance is used for working capital and cash flow needs as well as to provide for future growth and uncertainties. It means that if we had to pay off all our bills *today*, including all of our noncapital liabilities we could with our current resources. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

## LONDON TOWNSHIP

### *Management's Discussion and Analysis* *Year Ended March 31, 2006*

The results of this year's operations for the Township as a whole are reported in the Statement of Activities. Table 2 shows the changes in the net assets for the calendar year ended March 31, 2006 and 2005.

#### **Governmental-Wide Financial Analysis - Concluded**

**Table 2:**

#### **Changes in Net Assets** **Year Ended March 31, 2006 and 2005**

	Governmental Activities	
	2006	2005
<b>Revenues</b>		
Program revenues:		
Charges for services	\$133,684	\$239,839
Operating grants and contributions	629	613
Capital grants and contributions	<u>7,299</u>	<u>-</u>
	<u>141,612</u>	<u>240,452</u>
General revenues:		
Property taxes	166,864	157,576
State grants	216,692	214,785
Other general revenues	<u>46,671</u>	<u>38,066</u>
	<u>430,227</u>	<u>410,427</u>
Total Revenues	571,839	650,879
<b>Functions/Program Expenses</b>		
Legislative	23,497	24,121
General government	228,463	240,934
Public safety	213,173	231,256
Public works	153,843	139,684
Culture and recreation	2,118	2,898
Interest on long-term debt	<u>19,383</u>	<u>21,764</u>
Total Expenses	<u>640,477</u>	<u>660,657</u>
<b>Increase (Decrease) in Net Assets</b>	<u>\$ (68,638)</u>	<u>\$ (9,778)</u>

As indicated in Table 2, the cost of *all governmental* activities this year was \$640,477. Of this amount, \$141,612 was subsidized with revenue generated from charges for services, grants and other contributions with the remaining costs financed with general revenues.

The Township's governmental activities experienced an decrease in net assets of \$68,638. A reconciliation of the change in fund balances to the change in net assets appears on page 16.

## LONDON TOWNSHIP

### *Management's Discussion and Analysis* *Year Ended March 31, 2006*

#### **Fund Financial Analysis**

As noted earlier, the Township uses funds to help control and manage money for particular purposes. Looking at funds helps the reader consider whether London Township is being held accountable for the resources taxpayers and others provide to it and may give more insight into the Township's overall financial health.

As the Township completed this year, the governmental funds reported a combined fund balance of \$662,076, which is a decrease of \$75,925 from last year. The changes by fund types are as follows:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Retirement Funds</u>	<u>Permanent Funds</u>	<u>Total</u>
<b>Fund balances – Beginning of year</b>	\$416,332	\$132,674	\$183,695	\$5,300	\$738,001
 Increase (decrease)	<u>(69,379)</u>	<u>(2,519)</u>	<u>(4,027)</u>	<u>-</u>	<u>(75,925)</u>
 <b>Fund balances – End of year</b>	<u>\$346,953</u>	<u>\$130,155</u>	<u>\$179,668</u>	<u>\$5,300</u>	<u>\$662,076</u>

The Township's General Fund revenues decreased by approximately \$33,000. The decrease is the result of license and permits revenue decreasing approximately \$49,000.

	<u>March 31, 2006</u>	<u>March 31, 2005</u>	<u>Percent Change</u>
<b>Revenues</b>			
Property taxes	\$166,864	\$157,576	5.89%
Licenses and permits	29,323	78,401	(62.60)%
State grants	216,692	214,785	1.00%
Charges for services	60,537	61,683	(1.86)%
Interest and rent	21,663	13,929	55.52%
Other	<u>489</u>	<u>2,577</u>	(81.02)%
Total revenues	<u>\$495,568</u>	<u>\$528,951</u>	(6.31)%

The Township's expenditures increased from \$538,411 in 2005 to \$564,947 in 2006. Public safety expenditures increased 10% due to costs related to fire protection, and public works expenditures increased 15% due to road work.

## LONDON TOWNSHIP

### *Management's Discussion and Analysis* *Year Ended March 31, 2006*

#### **Fund Financial Analysis – Concluded**

	<u>March 31,</u> <u>2006</u>	<u>March 31,</u> <u>2005</u>	<u>Percent</u> <u>Change</u>
<b>Expenditures</b>			
Legislative	\$ 23,497	\$ 24,121	(2.59)%
General government	204,744	214,767	(4.67)%
Public safety	199,860	181,715	9.99%
Public works	108,145	94,374	14.59%
Culture and recreation	2,601	2,536	2.56%
Other	<u>26,100</u>	<u>20,898</u>	24.89%
Total Expenditures	<u>\$564,947</u>	<u>\$538,411</u>	4.93%

#### **General Fund Budgetary Highlights**

The Uniform Budget Act of the State of Michigan requires the Township Board to adopt the original budget prior to April 1, the start of the fiscal year. Over the course of the year, the Township is allowed to revise its budget as it attempts to deal with the unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule illustrating the Township's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these statements. Revisions to the General Fund budget were as follows:

**Revenues** - Although no revisions were made to the revenue budget of \$385,000, several factors impact the planning of it. At March 31, 2006, state-shared revenue accounted for approximately 44 % of the total yearly revenue with property taxes accounting for approximately 34%.

**Expenditures** – Although the total expenditure budget of \$638,000 was not adjusted, the Township did make adjustments between the governmental activities. General government was increased \$17,000 and public safety was decreased \$4,000. The public works budget was reduced \$25,000 and other expenditures which includes insurance and payroll taxes was increased \$12,000.

## **LONDON TOWNSHIP**

### *Management's Discussion and Analysis Year Ended March 31, 2006*

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#### **Capital Asset and Debt Administration**

##### **Capital Assets**

At March 31, 2006, the Township had \$1.3 million invested in a broad range of capital assets, including land, building and improvements, machinery and equipment, furniture and fixtures, and water and sewer lines. This amount represents an increase of \$13,725 from last year. This year's additions of \$13,725 included three Dell desktop computers, building department software, and a LP gas tank. Depreciation for this year totaled \$41,424. Details regarding capital assets are included in Note 7 to the financial statements.

##### **Debt**

At March 31, 2006, the Township had the water and sewer contract liabilities for Collingwood Estates totaling \$348,682. The Township has levied special assessments on the residents receiving water and sewer service. Detailed information regarding debt is included in Note 8 to the financial statements.

#### **Development of the 2007 Fiscal Year Budget**

Our elected officials consider many factors when setting the Township's 2007 fiscal year budget. Based primarily on the last fiscal year's spending patterns, thought is also given to important factors affecting the budget, such as State budget constraints decreasing revenue sharing. In 2006-2007 the Township's General Fund budget anticipates revenues of \$465,000 and expenditures of \$524,700 which means that it will use up \$59,700 of its carryover fund balance.

#### **Contacting London Township**

This financial report is designed to provide the Township's citizens, taxpayers, customers, investors and creditors with a general overview of the Township's finances and to demonstrate their accountability for the money it receives. If you have any questions about this report or need additional information, contact the London Township Clerk, 13613 Tuttlehill Road, Milan, MI 48160.

**LONDON TOWNSHIP***Statement of Net Assets  
March 31, 2006*

	Governmental Activities
<b>Assets</b>	
Cash and cash with fiscal agent	\$559,311
Certificates of deposit	5,300
Receivables:	
Taxes	24,928
Tap fees and special assessments	224,561
Accounts and accrued interest	16,024
Due from other governmental units	45,048
Investment in joint ventures:	
London Maybee Raisinville Exeter Library	19,124
London Maybee Raisinville Fire Department	481,019
Milan Area Fire Department	124,819
Depreciable capital assets, net	671,872
<b>Total Assets</b>	<b>2,172,006</b>
<b>Liabilities</b>	
Accounts payable	13,852
Accrued interest payable	7,846
Long-term liabilities:	
Due within one year	42,608
Due in more than one year	306,074
<b>Total Liabilities</b>	<b>370,380</b>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	857,495
Restricted for debt service	369,607
Restricted for building code enforcement	26,639
Restricted for cemetery care non-expendable	5,300
Restricted for fire protection	85,606
Restricted for library	5,051
Unrestricted	451,928
<b>Total Net Assets</b>	<b>\$1,801,626</b>

See accompanying notes to the basic financial statements.

# LONDON TOWNSHIP

## *Statement of Activities* *Year Ended March 31, 2006*

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Operating	Capital	
	Expenses	Charges for Services	Grants and Contributions	Grants and Contributions
<b>Functions/Programs</b>				<b>Governmental Activities</b>
Governmental Activities:				
Legislative	\$23,497	\$0	\$0	\$0
General government	228,463	60,340	0	0
Public safety	213,173	59,420	629	0
Public works	153,843	13,924	0	7,299
Culture and recreation	2,118	0	0	0
Interest on long-term debt	19,383	0	0	0
Total Governmental Activities	<u>\$640,477</u>	<u>\$133,684</u>	<u>\$629</u>	<u>\$7,299</u>
General Revenues:				
Property taxes				166,864
State grants				216,692
Interest and rent				46,182
Other				489
Total General Revenues				<u>430,227</u>
<b>Change in Net Assets</b>				<b>(68,638)</b>
Net Assets - Beginning of year, as restated				<u>1,870,264</u>
Net Assets - End of year				<u>\$1,801,626</u>

See accompanying notes to the basic financial statements.

# LONDON TOWNSHIP

## *Governmental Funds Balance Sheet March 31, 2006*

		Special Revenue Fund	Debt Service Fund
	General	Sewer	Water Debt
<b>Assets</b>			
Cash and cash with fiscal agent	\$290,000	\$82,814	\$140,925
Certificates of deposit	0	0	0
Receivables:			
Taxes	24,928	0	0
Tap fees and special assessments	0	19,109	205,452
Accounts and accrued interest	15,881	143	0
Due from other funds	2,464	2,726	6,761
Due from other governmental units	37,019	8,029	0
	<u>370,292</u>	<u>112,821</u>	<u>353,138</u>
Total Assets			
	<u>\$370,292</u>	<u>\$112,821</u>	<u>\$353,138</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$13,852	\$0	\$0
Due to other funds	9,487	0	0
Deferred revenue	0	9,305	189,939
	<u>23,339</u>	<u>9,305</u>	<u>189,939</u>
Total Liabilities			
	<u>23,339</u>	<u>9,305</u>	<u>189,939</u>
<b>Fund Balances</b>			
Reserved for debt service	0	0	163,199
Reserved for Hack - Rapps	0	0	0
Unreserved - reported in:			
General Fund	346,953	0	0
Special Revenue Funds	0	103,516	0
	<u>346,953</u>	<u>103,516</u>	<u>163,199</u>
Total Fund Balances			
	<u>346,953</u>	<u>103,516</u>	<u>163,199</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$370,292</u>	<u>\$112,821</u>	<u>\$353,138</u>

See accompanying notes to the basic financial statements.

Other Nonmajor Governmental Funds	Totals
\$45,572	\$559,311
5,300	5,300
0	24,928
0	224,561
0	16,024
0	11,951
0	45,048
<u>\$50,872</u>	<u>\$887,123</u>
\$0	\$13,852
2,464	11,951
0	199,244
2,464	225,047
16,469	179,668
5,300	5,300
0	346,953
26,639	130,155
48,408	662,076
<u>\$50,872</u>	<u>\$887,123</u>

## LONDON TOWNSHIP

### *Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets March 31, 2006*

<b>Total Fund Balances - Governmental Funds</b>		<b>\$662,076</b>
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
Cost of the capital assets	\$1,348,292	
Accumulated depreciation	<u>(676,420)</u>	
		671,872
Investment in London Maybee Raisinville Exeter Library joint venture is not a financial resource and is not reported in the funds		19,124
Investment in London Maybee Raisinville Fire Department joint venture is not a financial resource and is not reported in the funds		481,019
Investment in Milan Area Fire Department joint venture is not a financial resource and is not reported in the funds		124,819
Other long-term assets are not available to pay for current-period expenditures and therefore are offset by deferred revenue in the funds.		199,244
Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds:		
Contract liability	(348,682)	
Accrued interest	<u>(7,846)</u>	
		<u>(356,528)</u>
<b>Total Net Assets - Governmental Activities</b>		<b><u>\$1,801,626</u></b>

See accompanying notes to the basic financial statements.

**LONDON TOWNSHIP**

*Governmental Funds  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Year Ended March 31, 2006*

		Special Revenue Fund	Debt Service Fund
	General	Sewer	Water Debt
<b>Revenues</b>			
Property taxes and special assessments	\$166,864	\$11,385	\$21,872
Licenses and permits	29,323	0	0
State grants	216,692	0	0
Charges for services	60,537	13,924	0
Interest and rents	21,663	5,062	19,340
Other revenue	489	0	0
Total Revenues	495,568	30,371	41,212
<b>Expenditures</b>			
Legislative	23,497	0	0
General government	204,744	0	0
Public safety	199,860	0	0
Public works	108,145	13,110	0
Culture and recreation	2,601	0	0
Other	26,100	0	0
Debt service	0	0	44,867
Total Expenditures	564,947	13,110	44,867
Excess (Deficiency) of Revenue Over Expenditures	(69,379)	17,261	(3,655)
<b>Other Financing Sources (Uses)</b>			
Operating transfers in	0	0	0
Operating transfers out	0	(17,643)	0
Total Other Financing Sources (Uses)	0	(17,643)	0
<b>Net Change in Fund Balances</b>	(69,379)	(382)	(3,655)
Fund Balances - Beginning of year	416,332	103,898	166,854
Fund Balances - End of year	\$346,953	\$103,516	\$163,199

See accompanying notes to the basic financial statements.

Other Nonmajor Governmental Funds	Total Governmental Funds
\$0	\$200,121
29,900	59,223
629	217,321
0	74,461
117	46,182
0	489
30,646	597,797
0	23,497
95	204,839
32,666	232,526
0	121,255
0	2,601
0	26,100
18,037	62,904
50,798	673,722
(20,152)	(75,925)
17,643	17,643
0	(17,643)
17,643	0
(2,509)	(75,925)
50,917	738,001
\$48,408	\$662,076

## LONDON TOWNSHIP

*Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of  
Governmental Funds to the Statement of Activities  
Year Ended March 31, 2006*

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<b>Net Change in Fund Balances - Total Governmental Funds</b>		<b>(\$75,925)</b>
---	--	-------------------

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures;

in the statement of activities, these costs are allocated over their estimated useful lives as depreciation expense.

Depreciation expense

(41,424)

Capital outlay

13,725

(27,699)

Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid.

913

Change in London Maybee Raisinville Exeter Library joint venture equity interest is not a financial resource and is not reported in

483

Change in London Maybee Raisinville Fire Department joint venture equity interest is not a financial resource and is not reported in

13,315

Change in Milan Area Fire Department joint venture equity interest is not a financial resource and is not reported in

3,625

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.

(25,958)

Repayments of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt).

42,608

**Change in Net Assets of Governmental Activities**

(\$68,638)

See accompanying notes to the basic financial statements.

**LONDON TOWNSHIP**

*Agency Fund  
Statement of Fiduciary Net Assets  
March 31, 2006*

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	Tax Collection Agency Fund
<b>Assets</b>	
Cash	<u>\$22,961</u>
<b>Liabilities</b>	
Due to other governmental units	\$1,579
Due to taxing units	<u>21,382</u>
Total Liabilities	<u>\$22,961</u>

See accompanying notes to the basic financial statements.

## LONDON TOWNSHIP

### *Notes to Financial Statements Year Ended March 31, 2006*

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#### Note 1      Description of the Township and Reporting Entity

The Township operates under a locally elected five member Board form of government and provides the following services: public safety (fire), highways and streets, recreation and culture, public improvements, cemetery, planning and zoning, and general administrative services.

#### Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government of the Township consists of all funds, departments, boards, and agencies that are not legally separate from the Township.

Component units are legally separate organizations for which the Township is financially accountable. Component units may also include organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt, or the levying of taxes. The Township has no component units.

The following entities are not included herein as they operate as autonomous units:

London-Maybee-Raisinville-Exeter Library - This is a joint library supported by London, Raisinville, and Exeter Townships and the Village of Maybee to provide a library for these four governmental units. This library is audited as a part of the Exeter Township audit.

Milan Area Fire Department - This is a joint fire department supported by the City of Milan, London Township, Milan Township and York Township, to provide fire protection to the City and the Townships. The fire department is audited as a separate local unit of government.

London-Maybee-Raisinville Fire Department - This is a joint fire department supported by the Village of Maybee, London Township and Raisinville Township to provide fire protection to the Village and the Townships. The fire department is audited as a separate unit of government.

#### Note 2      Summary of Significant Accounting Policies

The financial statements of London Township have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following are the more significant of the Township's accounting policies.

#### Basis of Presentation

##### A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. As a general rule, the effect of interfund activity has been eliminated from the government-wide statements. All of the Township's government-wide activities are considered to be governmental activities. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function.

## LONDON TOWNSHIP

*Notes to Financial Statements  
Year Ended March 31, 2006*

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### Note 2      Summary of Significant Accounting Policies (Continued)

#### Basis of Presentation (Continued)

##### A. Government-Wide and Fund Financial Statements (Concluded)

Amounts reported as program revenue include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. General revenue includes taxes, intergovernmental payments, sales of property, and other items not properly included among program revenues.

Separate financial statements are provided for governmental funds, and agency funds, even though the latter are excluded from the government-wide financial statements. Individual major governmental funds are reported as separate columns in the fund financial statements.

##### B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Governmental fund expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

On the governmental funds statements, property taxes, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the Township.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Agency fund statements also are reported using the economic resources measurement focus and the cash basis of accounting.

## LONDON TOWNSHIP

*Notes to Financial Statements*  
*Year Ended March 31, 2006*

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Note 2      Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Concluded)  
Fund Financial Statements (Concluded)

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. The General Fund accounts for all financial resources of the Township, except those required to be accounted for in another fund.

The Sewer Fund accounts for monies collected from the Collingwood Estates subdivision from special assessments and sewer charges that are used to pay maintenance and for transfers to the Sewer Debt Fund for bonded debt payments.

The Water Debt Fund accounts for the payment of special assessment bond principal and interest from special assessment levies for Collingwood Estates.

The Township reports the following nonmajor governmental funds:

The Building Department Fund, the Liquor Law Enforcement Fund, the Sewer Debt Fund and the Hack-Rapps Cemetery Fund.

C. Assets, Liabilities, and Net Assets or Equity

Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Cash with Fiscal Agent

This consists of cash and certificates of deposit held by the County of Monroe in its debt retirement accounts for payment of maturing bond principal and interest on debt that it has incurred pursuant to contracting with London Township to acquire and construct water supply system improvements and facilities under Act 342, P.A. of 1948, as amended.

Property Tax Receivable - Property taxes are assessed as of December 31 and the related property taxes become a lien on July 1 and December 1 of the following year. Summer taxes are considered delinquent September 14, and winter taxes are considered delinquent February 14 of the following year.

Prepaid Assets - Payments made to vendors for services that will benefit periods beyond March 31, 2006, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Capital Assets - General capital assets are those assets related to the general activities and expenditures reported in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported on the fund financial statements.

## LONDON TOWNSHIP

*Notes to Financial Statements  
Year Ended March 31, 2006*

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### Note 2      Summary of Significant Accounting Policies (Continued)

#### Basis of Presentation (Continued)

#### C. Assets, Liabilities, and Net Assets or Equity (Continued)

##### Capital Assets (Concluded)

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Township maintains a capitalization threshold of \$1,500 and an estimated useful life in excess of one year. The Township has elected not to retroactively report infrastructure assets. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, other than land, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land improvements	20 years
Buildings and buildings improvements	10-50 years
Machinery and equipment	3-10 years
Furniture and fixtures	7 years
Water and sewer lines	25-50 years

Interfund Balances - On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due to/from other funds." These amounts are eliminated in the governmental activities column of the statement of net assets.

Accrued Liabilities and Long-Term Obligations -All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Payments of long-term loans that are paid from governmental funds are recognized as an expenditure on the governmental fund financial statements when due.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

Interfund Transactions - Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

## LONDON TOWNSHIP

### *Notes to Financial Statements Year Ended March 31, 2006*

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Note 2      Summary of Significant Accounting Policies (Concluded)  
Basis of Presentation (Concluded)

C. Assets, Liabilities, and Net Assets or Equity (Concluded)

Fund Balance Reserves and Designations - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

D. Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported on the financial statements and accompanying notes. Actual results may differ from those estimates.

E. Extraordinary and Special Items - Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Township and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2006.

F. Budgetary Policies - The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. The General Fund and all Special Revenue Funds are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Township Board at the function level. Any budgetary modifications may only be made by resolution of the Township Board.

The Township follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

1. Prior to March 31, the fiscal officer submits to the Township Board a proposed operating budget for the fiscal year commencing on April 1.
  2. A public hearing is conducted during March to obtain taxpayer comments.
  3. Prior to March 31, the budget is legally enacted through passage of a resolution.
  4. During the year the budget is monitored, and amendments to the budget are made when deemed necessary.
  5. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
  6. Lapsing of Appropriations - At the close of each year, all unspent appropriations revert to the respective funds from which they were appropriated and become subject to future appropriations.
- G. Restatements - Beginning net assets of governmental activities was increased by \$225,136 to properly reflect the effect of the long-term receivable from the water and sewer district special assessments and the adjustments to the Limited Tax Water Supply System Bonds (Maybee/Raisinville/Exeter/London) Series 1997.

## LONDON TOWNSHIP

### *Notes to Financial Statements Year Ended March 31, 2006*

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#### Note 3      Stewardship, Accountability and Compliance

The Township shall not incur expenditures in excess of the amount appropriated. Annual budgets are adopted on a basis that is consistent with generally accepted accounting principles and State Law for the General and Special Revenue Funds.

In the required supplemental information, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on an activities basis, which is the adopted legal level of control.

For the year ended March 31, 2006, expenditures exceeded final budgeted amounts in the following funds:

	<u>Final Budget</u>	<u>Actual Expenditures</u>	<u>Variance</u>
Sewer Fund	\$ 8,000	\$13,110	\$(5,110)

#### Note 4      Deposits

Statutes authorize the Township to invest in obligations of the U.S. Treasury, agencies, and instrumentalities; commercial paper within the three highest rate classifications by at least two rating services; bankers' acceptances of U.S. banks, U.S. or agency repurchase agreements; savings accounts and certificates of deposit with banks and savings and loan associations, or credit unions which are insured with the applicable federal agency. Public funds of the Township may not be deposited in financial institutions located in states other than Michigan. The Township Board has adopted an investment policy authorizing certain types of investments and has authorized two depositories: Republic Bank and Bank One.

Public Act 367 of 1982 (known as the Surplus Funds Investment Pool Act) enables municipalities to invest surplus operating funds in investment pools managed by qualified financial institutions. At March 31, 2006, the Township had invested in such a fund with a local bank. The Township is able to retrieve these funds without restriction and, accordingly, this amount is considered to be available cash. The local bank invests these funds in a variety of instruments including bonds and direct obligations of the United States, certificates of deposit, commercial paper rated within the three highest classifications by not less than two standard rating services, United States government or federal agency obligation repurchase agreements and bankers acceptances of the United States banks.

The Township believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, and since State of Michigan legislation does not require that all deposits be collateralized, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk at each institution; only those institutions with an acceptable estimated risk level are used as depositories.

## LONDON TOWNSHIP

### Notes to Financial Statements Year Ended March 31, 2006

#### Note 4 Deposits - (Concluded)

*Interest rate risk.* The Township's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit risk.* The Township will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities listed in the Township's investment policy.

*Concentration of credit risk.* The Township does not place any limits on the amount the Township may deposit or invest in any one issuer.

*Custodial credit risk.* Custodial credit risk for deposits is the risk that in the event of a bank failure, the Township's deposits may not be returned or the Township will not be able to recover the collateral securities in the possession of an outside party. The Township has \$577,973 invested in certificates of deposit, checking accounts, and money markets. The Township's deposits are insured by the FDIC in the amount of \$200,000, with uninsured deposits of \$377,973. The Township's deposits are at institutions with an established record of fiscal health and service. The Township Board approves and designates a list of authorized depository institutions. The Township's investment policy does not address deposit risk.

*Foreign currency risk.* The Township is not authorized to invest in investments which have this type of risk.

#### Note 5 Interfund Payables and Receivables

Such balances at March 31, 2006 were:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund:		
Water Debt	\$ -	\$ 6,761
Sewer Fund	-	2,726
Building Department Fund	2,464	-
Building Department Fund:		
General Fund	-	2,464
Sewer Fund:		
General Fund	2,726	-
Water Debt Fund:		
General Fund	<u>6,761</u>	<u>-</u>
Total	<u>\$11,951</u>	<u>\$11,951</u>

#### Note 6 Interfund Transfers

Interfund transfers for the year ended March 31, 2006, consisted of the following:

	<u>Transfers Out</u>
	Sewer Special Revenue Fund
<u>Transfers In:</u>	
Sewer Debt Fund	<u>\$17,643</u>

The transfer from the Sewer Special Revenue Fund to the Sewer Debt Fund was to transfer sewer special assessment fees collected to the Sewer Debt Fund for payment of the related debt.

# LONDON TOWNSHIP

## *Notes to Financial Statements Year Ended March 31, 2006*

### Note 7

#### Capital Assets

Capital asset activity for the fiscal year ended March 31, 2006, was as follows:

	Balance April 1, 2005	Additions	Deletions	Balance March 31, 2006
Governmental Activities:				
Assets not being depreciated:				
Land	\$31,909	\$0	\$0	\$31,909
Capital assets being depreciated:				
Land improvements	7,786	0	0	7,786
Building and building improvements	160,044	7,613	0	167,657
Machinery and Equipment	22,193	6,112	0	28,305
Furniture and Fixtures	2,492	0	0	2,492
Sewer lines	519,241	0	0	519,241
Water lines	590,902	0	0	590,902
Total capital assets	1,334,567	13,725	0	1,348,292
Less accumulated depreciation for:				
Land improvements	(4,542)	(389)	0	(4,931)
Building and building improvements	(76,879)	(6,535)	0	(83,414)
Machinery and Equipment	(17,510)	(1,912)	0	(19,422)
Furniture and Fixtures	(2,492)	0	0	(2,492)
Sewer lines	(415,393)	(20,770)	0	(436,163)
Water lines	(118,180)	(11,818)	0	(129,998)
Total accumulated depreciation	(634,996)	(41,424)	0	(676,420)
Net capital assets	<u>\$699,571</u>	<u>(\$27,699)</u>	<u>\$0</u>	<u>\$671,872</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 8,254
Public safety	582
Public works	<u>32,588</u>
Total governmental activities	<u>\$41,424</u>

# LONDON TOWNSHIP

## *Notes to Financial Statements Year Ended March 31, 2006*

### Note 8      Long-Term Debt

The following is a summary of the long term debt as of March 31, 2006:

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Original Maturity Dates</u>	<u>Amount of Issue</u>	<u>Balance Outstanding</u>
<u>Contract Liability for:</u>					
Limited Tax Sewage Disposal System Bonds	5.25%	10/04/93	05/01/94- 05/01/08	\$180,000	\$ 45,000
Limited Tax Water Supply System Bonds (Maybe/Raisinville/ Exeter/London) - Series 1997	5.000%- 7.500%	04/01/97	05/01/98- 05/01/16	<u>530,574</u> <u>\$710,574</u>	<u>303,682</u> <u>\$348,682</u>

The following is a summary of changes in long-term debt:

	<u>Balance 3/31/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/06</u>	<u>Due In One Year</u>
<u>Contract Liability:</u>					
Limited Tax Sewage Disposal System Bonds	\$ 60,000	\$ -	\$15,000	\$ 45,000	\$15,000
Limited Tax Water Supply System Bonds (Maybe/Raisinville/ Exeter/London) - Series 1997	<u>331,290</u> <u>\$391,290</u>	<u>-</u> <u>\$ -</u>	<u>27,608</u> <u>\$42,608</u>	<u>303,682</u> <u>\$348,682</u>	<u>27,608</u> <u>\$42,608</u>

The following are the repayment schedules of the March 31, 2006 balances:

Contract liability for General Obligation Limited Tax Sewage Disposal System Bonds for Collingwood Estates sewage disposal system project were issued by the County of Monroe to advance refund \$210,000 of outstanding 1983 Collingwood Estates Sewage Disposal System Bonds. London Township is financing these costs through a sewer connection fee of \$2,850.

	<u>Principal May 1</u>	<u>Interest May 1      Nov. 1</u>		<u>Total Due Annually</u>
2007	\$15,000	\$1,181	\$ 787	\$16,968
2008	15,000	787	394	16,181
2009	<u>15,000</u>	<u>394</u>	<u>-</u>	<u>15,394</u>
	<u>\$45,000</u>	<u>\$2,362</u>	<u>\$1,181</u>	<u>\$48,543</u>

# LONDON TOWNSHIP

## Notes to Financial Statements Year Ended March 31, 2006

### Note 8

#### Long-Term Debt (Concluded)

Contract liability for General Obligation Water Supply System Bonds (Maybee/Raisinville/Exeter/London-Series 1997) were issued by the County of Monroe to pay for establishment of water supply improvements and service to County's water supply system to serve the local units. London Township's share of the bond issue is 23%. London Township is financing their portion of the bond issue through a water connection fee of \$7,200.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>		<u>Total</u>
	<u>May 1</u>	<u>May 1</u>	<u>Nov. 1</u>	<u>Due Annually</u>
2007	\$ 27,608	\$ 8,234	\$7,516	\$ 43,358
2008	27,608	7,516	6,791	41,915
2009	27,608	6,791	6,060	40,459
2010	27,608	6,060	5,314	38,982
2011	27,608	5,314	4,555	37,477
2012	27,608	4,555	3,796	35,959
2013	27,608	3,796	3,037	34,441
2014	27,608	3,037	2,278	32,923
2015	27,608	2,278	1,519	31,405
2016	27,608	1,519	759	29,886
2017	<u>27,602</u>	<u>759</u>	<u>-</u>	<u>28,361</u>
	<u>\$303,682</u>	<u>\$49,859</u>	<u>\$41,625</u>	<u>\$395,166</u>

The annual requirements to pay principal and interest on the long-term debt outstanding at March 31, 2006, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2007	\$ 42,608	\$17,718	\$ 60,326
2008	42,608	15,488	58,096
2009	42,608	13,245	55,853
2010	27,608	11,374	38,982
2011	27,608	9,869	37,477
2012-2016	138,040	26,574	164,614
2017	<u>27,602</u>	<u>759</u>	<u>28,361</u>
	<u>\$348,682</u>	<u>\$95,027</u>	<u>\$443,709</u>

## LONDON TOWNSHIP

### *Notes to Financial Statements* *Year Ended March 31, 2006*

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Note 9      Property Tax

The Township bills and collects its own property tax and also taxes for the County of Monroe, Dundee Community Schools, Milan Area Schools, Monroe County Community College, Monroe Intermediate School District, and Washtenaw Intermediate School District.

The Township levied 0.8796 mills for general operating and 0.9904 mills for fire and rescue for the 2005-2006 fiscal year on December 1, 2005 on assessed valuation as of December 31, 2004. The taxes are due and payable by February 14, 2006. Taxable values which amounted to \$88,795,429 represent a percentage of the fair market value of the assessed properties on December 31, 2004.

As of March 31, 2006, delinquent taxes of \$24,928 are reflected as a receivable in the general fund.

Note 10      Compensated Absences

The Township does not have a policy of providing employees with vacation or sick pay.

Note 11      Michigan Unemployment

On May 16, 1974, Governor Milliken signed into law enrolled Senate Bill 741, which is known as Act No. 104 of the Public Acts of 1974. The provisions of this Act subject political subdivisions to the Michigan Employment Security Act effective January 1, 1975. London Township has elected to make reimbursement payments rather than to pay contributions as a contributing employer.

Note 12      Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions and employee injuries (workman's compensation). The Township has purchased commercial insurance for property loss, torts, errors, omissions and employee injuries.

Note 13      Related Party Transactions

As indicated in Note 1, the Township is involved in three joint ventures. During the year, the Township contributed the following:

London-Maybee-Raisinville-Exeter Library	\$ 2,601
Milan Area Fire Department	82,067
London-Maybee-Raisinville Fire Department	<u>59,628</u>
	<u>\$144,296</u>

The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating government in the near future. Complete financial statements for the fire departments can be obtained from London Township and a copy of the library audit can be obtained from Exeter Township, 6158 Maybee-Scofield Road, Maybee, Michigan 48159.

**LONDON TOWNSHIP**

*General Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual  
Year Ended March 31, 2006*

	Budgeted Amounts			Positive (Negative) Budget
	Original	Final	Actual	
<b>Revenues</b>				
Taxes:				
Operating millage	\$90,000	\$90,000	\$78,930	(\$11,070)
Fire millage	60,000	60,000	87,934	27,934
	<u>150,000</u>	<u>150,000</u>	<u>166,864</u>	<u>16,864</u>
Licenses and Permits	15,000	15,000	29,323	14,323
State grants	175,000	175,000	216,692	41,692
Charges for Services:				
Tax administration fee			28,880	
Zoning and appeal fees			13,895	
Special hearing fees			1,399	
Cemetery charges			14,226	
Other charges			2,137	
	<u>40,000</u>	<u>40,000</u>	<u>60,537</u>	<u>20,537</u>
Interest and rents:				
Interest income			14,463	
Senior citizens rent			7,200	
	<u>3,500</u>	<u>3,500</u>	<u>21,663</u>	<u>18,163</u>
Other revenue	<u>1,500</u>	<u>1,500</u>	<u>489</u>	<u>(1,011)</u>
Total Revenues	385,000	385,000	495,568	110,568
<b>Expenditures</b>				
Legislative:				
Township board	30,000	30,000	23,497	6,503
General Government:				
Supervisor			15,002	
Elections			1,324	
Audit			12,100	
Assessor			51,489	
Attorney			16,297	
Clerk			17,253	
FOIA			1,499	
Board of review			585	
Treasurer			17,556	
Township hall and grounds			52,764	
Cemetery			18,875	
	<u>220,000</u>	<u>237,000</u>	<u>204,744</u>	<u>32,256</u>

# LONDON TOWNSHIP

*General Fund*  
*Statement of Revenues, Expenditures, and Changes in Fund Balance*  
*Budget and Actual*  
*Year Ended March 31, 2006*

	Budgeted Amounts			Positive (Negative) Budget
	Original	Final	Actual	
<b>Expenditures (Concluded)</b>				
Public Safety:				
Ordinance enforcement			\$4,940	
Milan fire protection			82,067	
LMR fire protection			59,628	
Planning and zoning			53,225	
	<u>\$225,000</u>	<u>\$221,000</u>	<u>199,860</u>	<u>\$21,140</u>
Public Works:				
Roads and drains	140,000	115,000	108,145	6,855
Culture and recreation:				
Maybee library	3,000	3,000	2,601	399
Other:				
Insurance and bonds			18,728	
Social security/Medicare			7,372	
	<u>20,000</u>	<u>32,000</u>	<u>26,100</u>	<u>5,900</u>
Total Expenditures	<u>638,000</u>	<u>638,000</u>	<u>564,947</u>	<u>73,053</u>
<b>Net Change in Fund Balance</b>	(253,000)	(253,000)	(69,379)	183,621
Fund Balance - Beginning of year	<u>378,736</u>	<u>378,376</u>	<u>416,332</u>	<u>37,956</u>
Fund Balance - End of year	<u>\$125,736</u>	<u>\$125,376</u>	<u>\$346,953</u>	<u>\$221,577</u>

# LONDON TOWNSHIP

## Sewer Fund Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual Year Ended March 31, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Special assessment			\$11,385	
Sewer use charges			13,924	
	\$21,000	\$21,000	25,309	\$4,309
Interest income	0	0	5,062	5,062
Total Revenues	21,000	21,000	30,371	9,371
<b>Expenditures</b>				
Public Works:				
Administration			585	
Maintenance			12,525	
Total Expenditures	8,000	8,000	13,110	(5,110)
Excess (Deficiency) of Revenues Over Expenditures	13,000	13,000	17,261	4,261
<b>Other Financing Sources</b>				
Operating transfers out	(19,000)	(19,000)	(17,643)	1,357
<b>Net Change in Fund Balance</b>	(6,000)	(6,000)	(382)	5,618
Fund Balance - Beginning of year	80,794	80,794	103,898	23,104
Fund Balance - End of year	\$74,794	\$74,794	\$103,516	\$28,722

**LONDON TOWNSHIP**

*Water Debt Fund*  
*Statement of Revenues, Expenditures, and Changes in Fund Balance*  
*Budget and Actual*  
*Year Ended March 31, 2006*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Special assessments			\$21,872	
Interest income			19,340	
Total Revenues	\$44,000	\$44,000	41,212	(\$2,788)
<b>Expenditures</b>				
Debt service:				
Principal			27,608	
Interest and fees			17,259	
Total Expenditures	85,000	85,000	44,867	40,133
<b>Net Change in Fund Balance</b>	(41,000)	(41,000)	(3,655)	37,345
Fund Balance - Beginning of year	108,400	108,400	166,854	58,454
Fund Balance - End of year	<u>\$67,400</u>	<u>\$67,400</u>	<u>\$163,199</u>	<u>\$95,799</u>

**LONDON TOWNSHIP**

*Nonmajor Governmental Funds  
Combining Balance Sheet  
March 31, 2006*

	Special Revenue Funds		Debt Service Fund
	Building Department	Liquor Law Enforcement	Sewer
<b>Assets</b>			
Cash and cash with fiscal agent	\$29,103	\$0	\$16,469
Certificates of deposit	0	0	0
Total Assets	<u>\$29,103</u>	<u>\$0</u>	<u>\$16,469</u>
<b>Total Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Due to other funds	\$2,464	\$0	\$0
Total Liabilities	2,464	0	0
<b>Fund Balances</b>			
Reserved for debt service	0	0	16,469
Reserved for cemetery care	0	0	0
Unreserved	26,639	0	0
Total Fund Balances	<u>26,639</u>	<u>0</u>	<u>16,469</u>
Total Liabilities and Fund Balances	<u>\$29,103</u>	<u>\$0</u>	<u>\$16,469</u>

Permanent Fund	
Hack - Rapps Cemetery	Total Nonmajor Governmental Funds
\$0	\$45,572
5,300	5,300
<u>\$5,300</u>	<u>\$50,872</u>
\$0	\$2,464
0	2,464
0	16,469
5,300	5,300
0	26,639
<u>5,300</u>	<u>48,408</u>
<u>\$5,300</u>	<u>\$50,872</u>

# LONDON TOWNSHIP

## *Nonmajor Governmental Funds Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Year Ended March 31, 2006*

	Special Revenue Funds		Debt Service Fund
	Building Department	Liquor Law Enforcement	Sewer
<b>Revenues</b>			
Licenses and permits	\$29,900	\$0	\$0
State grants	0	629	0
Interest	0	0	22
Total Revenues	29,900	629	22
<b>Expenditures</b>			
General government	0	0	0
Public safety	32,037	629	0
Debt service	0	0	18,037
Total Expenditures	32,037	629	18,037
Excess (Deficiency) of Revenues Over Expenditures	(2,137)	0	(18,015)
<b>Other Financing Sources (Uses)</b>			
Operating transfers in	0	0	17,643
<b>Net Change in Fund Balances</b>	(2,137)	0	(372)
Fund Balances - Beginning of year	28,776	0	16,841
Fund Balances - End of year	\$26,639	\$0	\$16,469

Permanent Fund	
Hack - Rapps Cemetery	Total Nonmajor Governmental Funds
\$0	\$29,900
0	629
95	117
95	30,646
95	95
0	32,666
0	18,037
95	50,798
0	(20,152)
0	17,643
0	(2,509)
5,300	50,917
<u>\$5,300</u>	<u>\$48,408</u>

**LONDON TOWNSHIP**

*Building Department Fund*  
*Statement of Revenues, Expenditures, and Changes in Fund Balances*  
*Budget and Actual*  
*Year Ended March 31, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Licenses and permits	\$40,000	\$40,000	\$29,900	(\$10,100)
Total Revenues	40,000	40,000	29,900	(10,100)
<b>Expenditures</b>				
Public safety:				
Building inspection	44,000	44,000	32,037	11,963
<b>Net Change in Fund Balance</b>	(4,000)	(4,000)	(2,137)	1,863
Fund Balance - Beginning of year	36,649	36,649	28,776	(7,873)
Fund Balance - End of year	<u>\$32,649</u>	<u>\$32,649</u>	<u>\$26,639</u>	<u>(\$6,010)</u>

**LONDON TOWNSHIP**

*Liquor Law Enforcement Fund*  
*Statement of Revenues, Expenditures, and Changes in Fund Balances*  
*Budget and Actual*  
*Year Ended March 31, 2006*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
State grants:				
Liquor license fees	\$700	\$700	\$629	(\$71)
<b>Expenditures</b>				
Public safety:				
Liquor inspection	700	700	629	71
<b>Net Change in Fund Balance</b>	0	0	0	0
Fund Balance - Beginning of year	0	0	0	0
Fund Balance - End of year	\$0	\$0	\$0	\$0

# LONDON TOWNSHIP

## Sewer Debt Fund Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual Year Ended March 31, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Interest	\$0	\$0	\$22	\$22
Total Revenues	0	0	22	22
<b>Expenditures</b>				
Debt service:				
Principal			15,000	
Interest and fees			3,037	
Total Expenditures	19,000	19,000	18,037	963
Excess (Deficiency) of Revenues Over Expenditures	(19,000)	(19,000)	(18,015)	985
<b>Other Financing Sources</b>				
Operating transfers in	19,000	19,000	17,643	(1,357)
<b>Net Change in Fund Balance</b>	0	0	(372)	(372)
Fund Balance - Beginning of year	0	0	16,841	16,841
Fund Balance - End of year	\$0	\$0	\$16,469	\$16,469

**LONDON TOWNSHIP**

*Hack - Rapps Cemetery Fund*  
*Statement of Revenues, Expenditures, and Changes in Fund Balances*

*Year Ended March 31, 2006*

	Actual
<b>Revenues</b>	
Interest	\$95
<b>Expenditures</b>	
General government: Cemetery	95
<b>Net Change in Fund Balance</b>	0
Fund Balance - Beginning of year	5,300
Fund Balance - End of year	<u>\$5,300</u>

**LONDON TOWNSHIP**

*Tax Collection Agency Fund*  
*Statement of Changes in Assets and Liabilities*  
*March 31, 2006*

	Balance April 1, 2005	Additions	Deductions	Balance March 31, 2006
<b>Assets</b>				
Cash	<u>\$7,532</u>	<u>\$2,575,438</u>	<u>\$2,560,009</u>	<u>\$22,961</u>
<b>Liabilities</b>				
Due to other governmental units	\$2,014	\$229,200	\$229,635	\$1,579
Due to taxing units	<u>5,518</u>	<u>2,346,238</u>	<u>2,330,374</u>	<u>21,382</u>
Total Liabilities	<u>\$7,532</u>	<u>\$2,575,438</u>	<u>\$2,560,009</u>	<u>\$22,961</u>



COOLEY HEHL  
WOHLGAMUTH & CARLTON  
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Certified Public Accountants

Township Board  
London Township  
Monroe County, Michigan

Our audit of the financial statements of London Township for the year ended March 31, 2006, was made in accordance with auditing standards generally accepted in the United States of America. These standards require, in addition to obtaining competent evidential matter through inspection, observation, inquiry, and confirmation, that we determine that existing internal controls, accounting procedures and accounting records are adequate to allow us to express an opinion on the financial statements of the Township.

Our comments set forth herein are for your review and have been discussed with appropriate personnel. These comments are based primarily upon procedures employed during our audit and therefore do not encompass all matters that might result from special studies directed toward such matters.

Bank Confirmations

As part of the audit, we send bank account confirmations to the various banks the Township uses, these confirmations verify open accounts and their balances. Republic Bank was unable to respond to the confirmation because the signature on the confirmation (Treasurer) did not match the signature they have on record (former Treasurer). We recommend Republic Bank be contacted and all account information be updated as soon as possible.

Outstanding Interfund Balances

We noted old interfund payables and receivables between the General Fund and the Water Debt Fund and the Sewer Fund. These amounts represent old delinquent taxes the General Fund collected in 2003 and owes to the Water and Sewer Funds. \$6,780.80 should be paid to the Water Debt Fund and \$2,725.29 should be paid to the Sewer Fund as soon as possible.

Budgets

As required by Public Act 493 of 2000, the Township is required to have budgets for the general and special revenue funds. We noted that the Sewer Fund expenditures have exceeded budgeted amounts during the 2005 and 2006 audits. The Township should review its actual expenditures during the year and amend the budgets as needed.

London Township

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We appreciate the cooperation and courtesy extended to us by all officials and employees of the Township and are encouraged by their efforts to maintain and improve strong and efficient accounting controls and procedures. We would be pleased to provide any assistance in implementing any of these recommendations and would be available to discuss any of these comments and recommendations with you at your convenience.

Very truly yours,

A handwritten signature in cursive script, reading "Cooley Hehl Wahlganth & Caulton". The signature is written in dark ink and is positioned below the "Very truly yours," text.

June 30, 2006